

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00

FMC-01 INR-07 NSAE-00 CG-00 COA-01 DLOS-03 L-02 OMB-01

TRSE-00 AID-05 XMB-02 OPIC-03 PM-03 FRB-03 /045 W

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R 102000Z FEB 75

FM AMCONSUL GUAYAQUIL

TO SECSTATE WASHDC 3676

INFO AMEMBASSY QUITO

C O N F I D E N T I A L SECTION 1 OF 2 GUAYAQUIL 237

E. O. 11652: GDS

TAGS: EWWT, EC

SUBJ: PORT OF GUAYAQUIL - CONGESTION SURCHARGE

REF: STATE 21089

1. SUMMARY: PORT CONGESTION IN GUAYAQUIL IS FACT AND HAS BEEN SEVERE PROBLEM FOR SEVERAL MONTHS. IT DUE PRIMARILY TO: 1) TOO MUCH CARGO DUE TO SURGE IN IMPORTS; 2) SHORTAGE OF QUALIFIED PERSONNEL AT ALL LEVELS; 3) INSUFFICIENT MATERIALS HANDLING EQUIPMENT; 4) NEW WORK RULES AND INVENTORY REQUIREMENTS; AND 5) INSUFFICIENT AND IN-EXPENSIVE WAREHOUSE SPACE. TURN AROUND TIMES OF 3 DAYS COMMON, DEPENDING ON QUANTITY AND TYPE OF CARGO. GOE HAS LONG-RANGE PLANS FOR PORT EXPANSION BUT RESULTS NOT EXPECTED FOR AT LEAST 2 YEARS. SHORT-RANGE SOLUTION IS TO BUY MORE EQUIPMENT AND RE-ORGANIZE PORT. TO DATE NO OTHER CONFERENCE IN ECUADOR TRADE HAS IMPLEMENTED SURCHARGE. END SUMMARY.

2. INFORMATION REFTEL FIRST POST HAS HEARD RE LATEST ATTEMPT BY A STEAMSHIP CONFERENCE TO IMPOSE CONGESTION SURCHARGE, BUT NEWS NOT SURPRISING. THERE HAS BEEN DRAMATIC GROWTH OF IMPORTS DUE TO INCREASED COMMERCIAL ACTIVITY AND LIBERALIZED GOE IMPORT POLICIES PRIMARILY AS RESULT OF OIL REVENUES. RESULT IS THAT PORT OF GUAYAQUIL HAS BEEN OVERWHELMED BEYOND ANYONE'S EXPECTATIONS IN JUST 2 YEARS. PERTINENT AGENCIES OF GOE HAVE GIVEN PRIORITY ATTENTION

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TO PROBLEM FOR OVER A YEAR. THERE HAS BEEN CONSIDERABLE PRESS COMM-

ENT (MUCH OF IT CRITICAL) AND PRIVATE BUSINESSMEN COMPLAIN OF PORT INEFFICIENCY AND DELAYS IN OBTAINING GOODS.

3. PROBLEMS OF CONGESTION EVIDENT EVEN TO CASUAL VISITOR TO PORT. SHIPS SIT IN RIVER AWAITING ONE OF FIVE BERTHS AT PIER. WAREHOUSES ARE FULL AND EXTENSIVE AMOUNT OF CARGO SITS IN OPEN, UNPROTECTED AREAS. PORT WORKS 24 HOURS A DAY, 7 DAYS A WEEK. DAY CONSISTS OF THREE 8-HOUR SHIFTS. LATE NIGHT SHIFTS REPORTEDLY LEAST PRODUCTIVE AND EFFICIENT DUE TO DIFFICULTY OF GETTING GOOD PEOPLE TO WORK THOSE HOURS. BOATS LOADING BANANAS ENCOURAGED TO TAKE CARGO IN RIVER RATHER THAN OCCUPY PIER SPACE, EVEN THOUGH THIS MORE COSTLY TO EXPORTERS.

4. STATISTICS PUBLISHED BY GUAYAQUIL PORT AUTHORITY SUPPORT CONTENTION THAT SURGE OF IMPORTS IS A MAJOR REASON FOR CONGESTION. FOR EXAMPLE, IN 1971 AND 1972 GUAYAQUIL RECEIVED IMPORTS OF 581,066 TONS AND 604,839 TONS, RESPECTIVELY. IN 1973 THE FIGURE JUMPED TO 785,606 TONS. ALTHOUGH DATA FOR DECEMBER 1974 NOT YET AVAILABLE, OFFICIAL ESTIMATES ARE 963,000 TONS FOR 1974. THIS REPRESENTS 23 PER CENT INCREASE OVER 1973 ALONE AND 60 PER CENT SINCE 1972 IN PORT WHOSE BERTHING CAPACITY HAS NOT CHANGED IN MEANTIME. WITH EXPORTS REMAINING STABLE SINCE 1970 AT AROUND 800,000 TONS ANNUALLY, GUAYAQUIL WILL HAVE HANDLED APPROXIMATELY 1,800,000 TONS OF CARGO IN 1974. INTERESTINGLY, STATISTICS SHOW THAT NUMBER OF SHIPS VISITING GUAYAQUIL HAS REMAINED AROUND 1,200 ANNUALLY SINCE 1970. INCREASED CARGO COMES FROM GREATER AVERAGE TONNAGE PER SHIP. IN 1970 AVERAGE TONNAGE WAS 1,175 AND IN 1972 IT WAS 1,208. BUT BY 1974 FIGURE HAD RISEN TO ESTIMATED 1,527. LOCAL AGENT FOR PRUDENTIAL AND LYKES LINE, DAVID KINNAR, REPORTS THAT AVERAGE TONNAGE FOR HIS SHIPS HAS RISEN FROM 500 TO 1,000 TONS.

5. SHORTAGE OF BLUE-COLLAR PERSONNEL ON EACH WORK SHIFT HAS REDUCED WORK GANGS PER SHIP (ONE GANG EQUALS FOUR MEN PLUS A FORK-LIFT) TO AVERAGE OF FIVE WHEREAS PREVIOUSLY ALMOST UNLIMITED NUMBER AVAILABLE. IN ADDITION, CROWDED, CONFUSED SITUATION IN WAREHOUSES HAS FORCED PORT TO TALLY CARGO ALONGSIDE SHIPS. THIS, KINNAR REPORTS, HAS REDUCED HOURLY UNLOADING RATE FROM 12-15 TO SIX TO SEVEN TONS. BERTH TIME THEREBY DOUBLED FROM NORMAL OF 18-20 HOURS TO UP TO 48 HOURS ON REGULAR BASIS.

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6. ALTHOUGH THREAT OF SURCHARGES BY MAJOR CONFERENCES HAS WORRIED PORT OFFICIALS FOR MONTHS, NONE HAVE BEEN LEVIED YET TO THE BEST OF OUR KNOWLEDGE. KINNAR CONFIRMS THAT ATLANTIC AND GULF/WEST COAST OF SOUTH AMERICA CONFERENCE (AG/WCSAC) INTENDS IMPOSE SURCHARGE OF SIX DOLLARS PER TON ON SOUTHBOUND CARGO TO GUAYAQUIL AND THAT TWO DOLLAR CHARGE WILL BE PLACED ON NORTH-BOUND SHIPMENTS. (LATTER WE UNDERSTAND WILL BE ASSESSED BY ASSOCIATION OF WEST COAST STEAMSHIP COMPANIES WHICH HANDLES NORTH-BOUND CARGO.)

KINNEAR SAYS CHARGES WERE TO BE EFFECTIVE FEBRUARY 3 (AS PER REF-TEL) BUT HAVE BEEN POSTPONED UNTIL MARCH 10 "UNLESS PORT SHOWS IMPROVEMENT". BUT THIS HE DOUBTS. ACCORDING TO KINNEAR, POSTPONEMENT DUE TO "COLD FEET" OF GRAN COLOMBIANA LINE AT LAST MINUTE AS RESULT OF GRAN COLOMBIANA BEING "UNDER FIRE" LOCALLY OVER RECENT FORCING OF GOE TO INCREASE FINANCIAL PARTICIPATION IN LINE WHEN GRAN COLOMBIANA DOUBLED ITS CAPITAL. FYI: GRAN COLOMBIANA IS MIXED COLOMBIAN-ECUADOREAN ENTERPRISE WITH GOE NATIONAL DEVELOPMENT BANK OWNING 25 PER CENT OF STOCK. END FYI.

7. KINNEAR REPORTS FEDERAL MARITIME COMMISSION (FMC) HAS ALREADY APPROVED SURCHARGE WHICH GUAYAQUIL PORT AUTHORITY HAS PROTESTED TO AG/WCSAC. HE ADDS THAT EUROPEAN, SOUTH PACIFIC AND MAGELLAN CONFERENCE "WATCHING THINGS CLOSELY" FOR POSSIBLE IMPLEMENTATION OF THEIR OWN SURCHARGE LATER ON.

8. OFFICIALS OF NATIONAL DEPARTMENT OF PORTS IN GUAYAQUIL APPEAR TO BE TAKING PROBLEM SERIOUSLY AND WORKING HARD TO SOLVE IT. THEY HAVE BEEN MAKING MANY TRIPS TO UNITED STATES TO WORK ON WORLD BANK LOAN FOR GUAYAQUIL PORT EXPANSION AND PROCUREMENT OF EQUIPMENT. THEY HAVE BEEN WORKING HARD WITH AMERICAN FIRM OF CONSULTING ENGINEERS ON FEASIBILITY STUDY FOR EXPANSION. PRIVATELY, THEY APPEAR FRUSTRATED OVER DELAY IN OBTAINING WORLD BANK LOAN AND FACT THAT MAJOR SHIPPING CONFERENCWS ARE "ABOUT TO PURT SURCHARGES ON OUR PORT". THEY ALSO LAMENT FACT OF TRYING TO ACCOMMODATE FLOOD OF IMPORTS UNEXPECTED 2 YEARS AGO. THEY ADMIT TO DELAYS IN OBTAINING PIER SPACE (NORMALLY 24 HOURS) AND THAT UNLOADING TIMES ARE LONGER THAN THEY SHOULD BE. FYI: OFFICIAL FIGURES OF 39 HOURS' AVERAGE UNLOADING TIME FOR OCTOBER/NOVEMBER 1974 FAIRLY CLOSE TO KINNEAR'S ESTIMATE OF 48 HOURS. END FYI. BUT OFFICIALS ARE QUICK TO DEFEND PORT AS STILL MOST EFFICIENT ALONG WEST COAST OF SOUTH AMERICA AND CHARGE THAT IN IMPOSING SURCHARGES, CONFERENCES USE AVERAGING METHOD WHICH CONSIDERS HANDLING TIMES IN NEIGHBORING PORTS  
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(BUENAVENTURA, CALLAO, AND VALPARAISO GIVEN AS EXAMPLES) WHICH TO THEM MEANS THAT SURCHARGE ON GUAYAQUIL INCLUDES "SUBSIDY TO OTHER PORTS". THIS THEY BELIVE NOT FAIR AND, AS EXAMPLE, POINT TO PEAK CONGESTION PERIOD IN DECEMBER WHEN 28 SHIPS AWAITING BERTHS IN RIVER OF WHICH NINE HAD BEEN DIVERTED FROM BUENAVENTURA BECAUSE "THE COLOMBIANS DON'T CARE". NOW, UNLIKE BEFORE, THEY ANNOYINGLY CITE OFFICIAL VISITS BY FRIEND COUNTRY "WARSHIPS" AS UNPRODUCTIVE AND WASTE OF VALUABLE TIME, TO SAY NOTHING OF NON-PAYMENT OF PORT CHARGES.

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FMC-01 INR-07 NSAE-00 CG-00 COA-01 DLOS-03 L-02 OMB-01

TRSE-00 AID-05 XMB-02 OPIC-03 PM-03 FRB-03 /045 W

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C O N F I D E N T I A L SECTION 2 OF 2 GUAYAQUIL 237

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9. TO MEET PROBLEM OF CONGESTION ON SHORT-TERM BASIS, GUAYAQUIL PORT AUTHORITY HAS PURCHASED (MOSTLY FROM U.S.) ADDITIONAL FORKLIFT VEHICLES AND CRANES. GOE HAS ALSO ATTEMPTED TO DIVERT AS MUCH AS POSSIBLE OF GOVERNMENT CARGOS TO OTHER PORTS SUCH AS MANTA, PUERTO BOLIVAR, AND ESMERALDAS. WHILE ADDITIONAL EQUIPMENT HAS HELPED, DIVERSION TACTIC HAS MET WITH LIMITED SUCCESS BECAUSE OTHER PORTS ALSO EXPERIENCING INCREASED CARGOS AND CANNOT ACCEPT MUCH MORE. FYI: THESE THREE PORTS ALSO PART OF NATIONAL PLAN FOR EXPANSION. MANTA LARGEST OF THREE FOR GENERAL CARGO BUT WITH BERTHING SPACE FOR ONLY FOUR SHIPS AND IS ITSELF ALMOST BRAND NEW. SIGNIFICANT INCREASE IN CARGO HANDLING CAPACITY NOT EXPECTED IN THESE PORTS FOR NEXT FEW YEARS, EVEN WITH PURCHASE OF NEW EQUIPMENT. END FYI. GOE HAS CHOSEN SO FAR NOT TO PRESSURE PRIVATE SECTOR TO USE OTHER PORTS, AND SO TRADITIONAL COMMERCIAL PATTERNS NOT LIKELY TO CHANGE. GUAYAQUIL HAS BEEN AND WILL CONTINUE TO BE COMMERCIAL CENTER OF ECUADOR AND PRINCIPAL PORT FOR FORESEEABLE FUTURE. COMMUNICATIONS IN AND OUT OF TOWN ALSO BETTER THAN AT OTHER PORTS. STATISTICS DEMONSTRATE IMPORTANCE OF LOCAL PORT: IN 1973 82.5 PERCENT OF ALL IMPORTS ENTERED VIA GUAYAQUIL AND 43.2 PERCENT OF ALL EXPORTS WERE

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HANDLED HERE. OFFICIALS STATE THESE PERCENTAGES CHANGED LITTLE IN 1974.

10. THE GOE'S LONG-TERM PLANS TO EXPAND THE PORT OF GUAYAQUIL ARE FOR BUILDING OF FIVE NEW BERTHS--THREE FOR BANANA AND CONTAINERIZED CARGO AND TWO FOR BULK CARGO. CHIEF OF NATIONAL DEPARTMENT OF PORTS, LT. (RET.) CARLOS SALAZAR TORRES, TOLD COMMERCIAL OFFICER JANUARY 31 THAT EVENTUALLY (BY 1978) THREE MORE BERTHS (FOR TOTAL OF EIGHT) MIGHT BE NEEDED FOR GENERAL CARGO AND THAT PLANS FOR THESE ARE BEING DEVELOPED. THIS WOULD MEAN TOTAL INCREASE OF 160 PERCENT IN CARGO HANDLING CAPACITY. HE COMPLAINED THAT BIGGEST PROBLEM NOW FACING PORT EXPANSION IS "BUREAUCRATIC" DELAY ON PART OF WORLD BANK RE LOAN OF 45 MILLION DOLLARS GOE NEEDS TO BEGIN WORK ON FIRST FIVE BERTHS SCHEDULED FOR COMPLETION BY END OF 1977. FEASIBILITY STUDY BY AMERICAN FIRM ESSENTIALLY COMPLETED IN ALL IMPORTANT ASPECTS AND PORT AUTHORITY OTHERWISE READY TO MOVE AHEAD WITH CONSTRUCTION. CALLS FOR QUALIFYING BIDS EXPECTED TO BE PUBLISHED IN MARCH OR APRIL. FYI: OF SPECIAL INTEREST WAS COMMENT BY SALAZAR THAT IF WORLD BANK DOES NOT COME THROUGH SOON (WITHIN NEXT 2 MONTHS OR SO) GOE WOULD HAVE TO SEEK IMMEDIATE FINANCING ELSEWHERE TO AVOID CONTINUING UPWARD SPIRAL OF CONSTRUCTION COSTS. HE SAID THAT OPEC HAS STANDING OFFER OF LOAN AT 1-1/2 PERCENT INTEREST "ANYTIME WE WANT IT". END FYI.

11. GOE ALSO MAKING ATTEMPT TO IMPROVE PORT PROCUREMENT AND ADMINISTRATION NATIONWIDE. THIS WAS SUBJECT OF HIGH-LEVEL CABINET MEETING JANUARY 20 DURING WHICH THE GOVERNMENT ANNOUNCED ITS SUPPORT FOR PROCUREMENT OF EQUIPMENT AND STORAGE SPACE AND CONSIDERED WAYS TO FACILITATE ADMINISTRATIVE PROCEDURES AND REDUCE THE 15-DAY PERIOD NOW PERMITTED FOR FREE STORAGE IN THE PORTS. FYI: LATTER POINT STRESSED BY PRIVATE SOURCES AS IMPORTANT FACTOR IN WAREHOUSE CONGESTION AND THAT CHARGES AFTER 15-DAY SO CHEAP (E.G., A CAR PAYS EQUIVALENT OF 20 U.S. CENTS PER MONTH) THAT THERE NO INCENTIVE TO CLEAR CARGO AS SOON AS POSSIBLE. END FYI. FOLLOWING DAY (JANUARY 21) THE MINISTRY OF DEFENSE ANNOUNCED A COMPLETE REORGANIZATION OF THE GUAYAQUIL PORT AUTHORITY, INCLUDING ITS "LEGAL STRUCTURE."

AT THE SAME TIME, THE MINISTRY ANNOUNCED THAT NATIONAL COUNCIL OF THE MERCHANT MARINE AND PORTS HAD RECEIVED A DELEGATION OF SIX GUAYAQUIL BUSINESS REPRESENTATIVES WHO HAD BEEN GIVEN THE CHANCE TO DENOUNCE "NOTORIOUS IRREGULARITIES" IN THE PORT. ANNOUNCEMENT SAID MINISTRY OF

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FINANCE, WHO GOVERNS CUSTOMS, WAS INVESTIGATING COMPLAINTS.

12. COMMENT: THERE IS NO QUESTION THAT PORT OF GUAYAQUIL IS HEAVILY CONGESTED AND WILL BE FOR SOME TIME. THERE IS ALSO NO QUESTION THAT A SURGE IN IMPORTS IN RECENT PAST IS A MAJOR CAUSE AND THAT THIS FLOW IS LIKELY TO CONTINUE FOR FORESEEABLE FUTURE. WE ARE ALSO CONVINCED THAT NATIONAL DEPARTMENT OF PORTS IS SERIOUSLY WORKING

TO SOLVE PROBLEM.

13. IMPOSITION OF SURCHARGE BY AG/WCSAC NOW IS UNFORTUNATE TIMING BECAUSE U.S. HAS RECENTLY RECEIVED UNFAVORABLE PUBLICITY CONCERNING TRADE ACT AND U.S. TUNA BOAT SEIZURES. DIRECTOR OF MERCHANT MARINE (WHO DUE TO BE REPLACED WITHIN 2 MONTHS) KNOWN TO BE SENSITIVE TO FREIGHT RATES AND SURCHARGES APPLIED TO ECUADOREAN TRADE (SEE STATE 227255, OCTOBER 16, 1974 AND GUAYAQUIL 1217, OCTOBER 30, 1974) AND MAY CHOSE REGARD SURCHARGE AS REPRISAL. END COMMENT.

14. POST SUGGESTS THAT IF DEPARTMENT WISHES ADDITIONAL INFORMATION ON PORT OF GUAYAQUIL FROM WELL-INFORMED SOURCE, IT SHOULD CONTACT FIRM WHICH DID PORT EXPANSION FEASIBILITY STUDY, PALMER AND BAKER ENGINEERS, INC., 1050 GOVERNMENT ST., MOBILE, ALABAMA 36601, TEL: 205-432-4691. PERSON MOST FAMILIAR WITH PORT EXPANSION IS ABNER BEARD, VICE PRESIDENT. DEWITT

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## Message Attributes

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